

MEMORANDUM



Request for City Council Committee Action

Date: February 4, 2002

To: Council Member Goodman, Community Development Committee
Council Member Johnson, Ways and Means/Budget Committee

Refer to: MCDA Board of Commissioners

Prepared by Jerry LePage, Phone 612-673-5240; Jennifer Bever, Phone 612-673-5129

Approved by Chuck Lutz, Interim MCDA Executive Director _____

Subject: Accept & Appropriate a \$1,103,734 DTED Contamination Cleanup Grant and a \$210,537 Metropolitan Council Tax Base Revitalization Account (TBRA) Grant on behalf of the Unocal-Thornton Street Housing Project in Prospect Park; Execute Grant & Subrecipient Agreements

Previous Directives: On September 7, 2001, the Board approved a Project Analysis Authorization for the Unocal-Thornton Street housing project and directed staff to negotiate redevelopment contract terms with Brighton Development Corporation and prepare a Redevelopment Plan and a TIF Plan to support the project. On October 22, 2001, the City Council authorized staff to submit grant applications for the DTED Contamination Cleanup Program and for the Metropolitan Council TBRA Program.

Neighborhood Group Notification: The Prospect Park-East River Road Improvement Association (PPERRIA) has long supported the concept of housing development on the Thornton-Unocal site. PPERRIA also encouraged Brighton Development Corporation to submit its housing proposal for this site, and supported the applications to DTED and the Metropolitan Council for contamination cleanup assistance.

Consistency with *Building a City That Works*: Addresses Goal 2: Ensure that an array of housing choices exist to meet the needs of our current residents and attract new residents to the City.

Comprehensive Plan Compliance: Complies.

Zoning Code Compliance: Under the previous zoning code, this site was zoned M2-2. The new zoning is R-3 and is consistent with the proposed development.

Impact on MCDA Budget: (Check those that apply)

- ☐ No financial impact
- ☒ Action requires an appropriation increase to the MCDA Budget
- ☒ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

Receipt of \$1,103,734 in (DTED) Contamination Cleanup grant funding for pollution investigation and clean-up; local match requirement will be met by the developer. Receipt of \$210,537 in Metropolitan Council TBRA grant for pollution investigation and clean-up; no local match required.

Living Wage / Business Subsidy: Not applicable.

Job Linkage: Not applicable.

Affirmative Action Compliance: Will comply.

City Council Recommendation:

1. Accept a \$1,103,734 Contamination Cleanup Grant from the Minnesota Department of Trade & Economic Development (DTED) and a \$210,537 Tax Base Revitalization Account (TBRA) grant from the Metropolitan Council for pollution remediation activities on the Unocal-Thornton Street Housing Site.
2. Increase the 2002 MCDA Appropriation Resolution in Fund SMN (3215-04 MN State Grants) by \$1,103,734 and (3215-15 Other MN Grantor Agencies) by \$210,537 for a total increase of \$1,314,271.
3. Increase MCDA Revenue Budget in Fund SMN (3215-04 MN State Grants) by \$1,103,734 and (3215-15 Other MN Grantor Agencies) by \$210,537.
4. Refer this report to the MCDA Board of Commissioners for its review and approval.

MCDA Board Recommendation:

1. Execute DTED and Metropolitan Council Grant Agreements and Subrecipient Agreements.

Background/Supporting Information

The MCDA has received a DTED Contamination Cleanup grant in the amount of \$1,103,734 and a Metropolitan Council TBRA grant in the amount of \$210,537 for pollution remediation activities on the Unocal-Thornton Street housing site at 825 Thornton Street SE in the Prospect Park neighborhood. This is a 4.6-acre triangular site bounded by Thornton Street on the west, East Franklin Avenue on the south, and Interstate 94 on the east (see attached area map). The purpose of this report is to request authorization for acceptance and appropriation of the grants as well as authorization to execute the necessary grant agreements with DTED and the Metropolitan Council.

The Unocal-Thornton site has had a long and controversial history and has been the location for the processing and storage of petroleum products since 1910 when the W. H. Barber Company began its operations. Company records indicate that at one time as many as 170 storage tanks were in use, and several spills were reported on the site after the Minnesota Pollution Control Agency (PCA) became involved in the mid-70's. The W. H. Barber Company (which became a subsidiary of Union Oil of California in 1955) sold the site to the Gopher Oil Company in 1980, and Gopher continued to use the site for similar purposes until it ceased operations in 1984. The site is currently designated as a Superfund site and is undergoing cleanup under a long-term Response Action Plan approved by the PCA in the mid-1990's.

In 1996, PPERRIA began discussions with Unocal to purchase the site with NRP funds for the eventual development of new housing, but it was never able to reach an agreement on a right of first refusal. In late 1998, Brighton Development Corporation was invited by the MCDA and PPERRIA to participate in discussions with Unocal as a potential developer interested in purchasing the site. After several years of negotiations, Unocal finally reached an agreement with Brighton in August of 2001 to sell the site for \$10.00, with Brighton assuming full responsibility for all environmental contamination. In August, Brighton also submitted a development proposal to the MCDA to construct approximately 50 units of new market-rate ownership housing, and proposed to meet the 20% affordable housing obligation on an off-site basis by contributing \$800,000 to the City Affordable Housing Fund, based on a per unit subsidy of \$80,000.

The DTED and Metropolitan Council grant funds will be used to reimburse Brighton for contamination cleanup costs, based on a new Response Action Plan recently approved by the Minnesota Pollution Control Agency. This Plan will accelerate the cleanup process and will raise the cleanup standard to an "unlimited land use" (i.e. a residential reuse). Brighton estimates the cleanup will cost approximately \$1.8 million, with DTED and Metropolitan Council funds covering most of this cost. Brighton is seeking additional funds from the Hennepin County Brownfields Cleanup Program and has also requested tax increment financing assistance.

Staff anticipates that it will return to the City Council and the Board sometime in April or May with a report on the proposed business terms of a redevelopment contract with Brighton and the creation of a redevelopment plan and TIF plan. Assuming Council and Board approval, Brighton hopes to begin cleanup of the site in early summer and to start construction in the fall.